

## WARNING-UNAPPROVED MINUTES

*These minutes have not been reviewed or accepted by the RISLA Board of Directors. This draft is being supplied in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.*

The 286<sup>th</sup> meeting of the Rhode Island Student Loan Authority was held on **Friday, July 22, 2011** in the McKenna Conference Room, 560 Jefferson Boulevard, Warwick, Rhode Island.

### Members in attendance:

Dr. Anthony Santoro  
Dr. William Croasdale  
Mr. John Howell  
Mr. Josh Brumberger, Designee of the General Treasurer

### Members absent:

Hon. Robert McKenna  
Ms. Patricia Doyle

### Others in attendance:

Mr. Charles Kelley  
Mr. Noel Simpson  
Mr. Joseph Palumbo  
Ms. Jennifer Dutch  
Mr. Kevan McAleer  
Mr. David DeBlois  
Mr. Chad Pastorius  
Mr. William Bianchi  
Ms. Lori Brighton  
Mr. Justin Metaketees (check sp)  
Ms. Faith LaSalle  
Mr. Sol Solomon  
Mr. Steve Archer  
Ms. Kathy Sisson  
Ms. Gail Mance-Rios

The meeting was called to order by Dr. Santoro at 9:00 a.m.

Upon a motion made by Dr. Croasdale and seconded by Mr. Howell it was unanimously

**VOTED:** to accept and approve the minutes of the June 17, 2011 Board Meeting.

### **Chairman's Report**

Dr. Santoro stated that he did not have a report.

### **Executive Director's Report**

Mr. Kelley discussed a new grant received from the RI Foundation in the amount of \$250,000 for physician loan forgiveness.

Mr. Kelley announced that with the help of RISLA's default prevention staff, Johnson & Wales University's federal default rate is down to 7.7% and that JWU's Perkins loan defaults are down 50%.

Mr. Kelley discussed the new RIFEL program for the 2011-2012 academic year. He stated that the only state that has a non-federal loan program with a lower interest rate is Connecticut.

Mr. Kelley informed the board that RISLA is currently paying .05% interest on the VRDN bonds. It's a very low rate and has been in place for two weeks. Due to the federal government's debt ceiling, the rates may not stay this low and there is a potential for a spike in interest rates.

Mr. Kelley announced that RISLA will be holding a press conference at Hasbro Children's Hospital on Tuesday, July 26<sup>th</sup> at 11 a.m. to announce the new RISLA Nursing Reward Program which will allow RN's working in RI to receive a 0% interest forgiveness on their RISLA loans for up to four years.

Mr. Kelley discussed the SEC subpoena of emails between RISLA and John Keohane. Mr. Palumbo explained that the subpoena was served on Mr. Keohane in connection with the SEC investigation of possible market manipulation by broker dealers to get issuers waive the maximum rate on bonds. Dr. Santoro pointed out that RISLA never waived the maximum rate. Mr. Palumbo commended Mr. Kelley and Mr. Simpson on their good judgment to not waive the maximum rate which was confirmed in the emails subpoenaed. Mr. Kelley stated that RISLA was the only issuer that did not waive the maximum rate, which saved the Authority hundreds of thousands of dollars.

Dr. Santoro inquired about the tender offer on RISLA's auction rate bonds. Mr. Simpson stated that \$27.4 million in bonds were tendered at a price of \$24.9 million. The average sale price was 91%.

Dr. Croasdale noted that Sallie Mae is offering disability insurance to student loan borrowers. Mr. Simpson pointed out that this is actually tuition insurance and not part of Sallie Mae's loan program.

### **College Planning Center Update**

Mr. Kelley informed the board that the CPC has helped over 10,600 students and families in the past year. Mr. DeBlois explained that with the revamp of the appointment software the CPC staff is able to

obtain more accurate data on those being served. He also mentioned the addition of the Latino Coalition Access program has helped to increase the number of students being seen.

Mr. Brumberger asked if there is a customer satisfaction survey given to those seen and could it be presented at a board meeting. Mr. DeBlois said that such data is collected and can be provided.

### **Financial Update**

Mr. Kelley turned the discussion over to Mr. McAleer, but before doing so he pointed out to the board that RISLA budgeted a cushion for the anticipated increase in interest rates in the market.

Mr. McAleer highlighted the increase in interest rates used in the budget. He also highlighted certain items in the budget, such as savings in servicing costs by bringing servicing in-house and an increase in G&A expenses for expected increases in advertising. Mr. Kelley reported that since June 13, 2011, the loan origination department has fielded over 11,000 calls.

Dr. Croasdale thanked the staff for accepting his suggestion of placing advertisements on buses in the state.

Mr. McAleer noted that there was an increase in payroll in the budget which includes a 3% raise as of July 1, that the board had previously approved. Dr. Croasdale stated that he opposed the proposed increase. Dr. Croasdale suggested that the staff present the budget to the finance committee first before presenting it to the board to avoid questions in the future.

Upon a motion made by Mr. Howell and seconded by Mr. Brumberger, it was unanimously

**VOTED:** to accept the budget, without the proposed salary increases which would be discussed at a future meeting.

### **Bond Financing Update**

Mr. Kelley discussed the Authority's intent to retire approximately \$20 million in auction rate bonds and replace them with VRDN's. Dr. Santoro asked why RISLA was not converting more. Mr. Kelley noted that retiring \$20 million was helping to fix a problem with a dislocation of funds and that the other auctions are in line. Mr. Simpson pointed out that State Street Bank only committed to \$20 million and has extended the \$100 million already in place.

### **Action Item – Bond Underwriter**

Mr. Kelley stated that the last time RISLA went out to bid for underwriters was June 2010. He handed out some information that tallied the bids from the current RFP for underwriters. He recommended to the board that it select the two lowest bidders subject to further research on which firm has done better with remarketing bonds.

Upon a motion from Dr. Croasdale and seconded by Mr. Howell it was unanimously

**VOTED:** to select the two low bidders, Morgan Stanley and Janney Montgomery, subject to staff verification on their success in remarketing bonds.

### **U.S. Department of Ed. Review**

Mr. Simpson reported on a desk review of RISLA's FFELP loan servicing.

### **Action Item – Selection of Financial Literacy Software Provider**

Mr. Bianchi explained the bid solicitation and selection process for a financial literacy software provider. Mr. Bianchi indicated that staff recommends EverFi. After discussion among the board, upon a motion made by Dr. Croasdale and seconded by Mr. Brumberger, it was unanimously

**VOTED:** to approve Everfi for providing the software for financial literacy.

At 9:57AM, the board entered executive session pursuant to RIGL §42-46-5 (a)(7) to discuss a matter involving the investment of public funds the premature disclosure of which would be adverse to the public interest.

At 10:45AM, the open session was reconvened. The reported that only vote taken in executive session was to continue the closed session meeting at the conclusion of the RIHEAA board meeting.

At the conclusion of the RIHEAA board meeting, it was

**VOTED:** to not resume the closed session meeting and to adjourn.

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John Howell  
Secretary